

**City of Pleasant Ridge
Oakland County, Michigan**

FINANCIAL STATEMENTS

June 30, 2008

City of Pleasant Ridge

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Commission
City of Pleasant Ridge, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pleasant Ridge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pleasant Ridge's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 2, 2008

City of Pleasant Ridge Management's Discussion and Analysis

Our discussion and analysis of the City of Pleasant Ridge's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2008:

- Property tax revenue, the largest revenue source in the General Fund, increased by approximately \$123,000 even though the combined millage rate decreased from 18.1825 mills in 2006 to 18.1428 mills in 2007. The increase in revenue was the result of an increase in taxable value of 6.0 percent.
- Reconstruction of local roads continued resulting in a decrease in fund balance in the Infrastructure Improvements Fund of approximately \$152,000.
- Total investment income decreased from approximately \$302,000 in 2007 to approximately \$243,000 2008, a decrease of 19.5 percent, as a result of declining market conditions.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The Fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

Governmental Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets compared to the prior two years:

Note: The 2007 amounts have been adjusted for the prior period adjustment.

	6/30/06	6/30/07	6/30/08	Change from Prior Year	
				in Dollars	as a Percent
Capital assets	\$ 8,495,747	\$ 8,678,798	\$8,967,315	\$288,517	3.3
Other assets	5,377,427	5,348,260	5,047,212	(301,048)	(5.6)
Total assets	13,873,174	14,027,058	14,014,527	(12,531)	(0.1)
Long-term liabilities	2,678,863	2,632,932	2,415,622	(217,310)	(8.3)
Other liabilities	674,141	543,664	631,900	88,236	16.2
Total liabilities	3,353,004	3,176,596	3,047,522	(129,074)	(4.1)
Net Assets:					
Invested in capital assets, net of related debt	5,818,884	6,152,831	6,478,417	325,586	5.3
Restricted	3,869,918	3,759,360	3,815,724	56,364	1.5
Unrestricted	831,368	938,271	672,864	(265,407)	(28.3)
Total net assets	\$10,520,170	\$10,850,462	\$10,967,005	\$116,543	1.1

	2006	2007	2008	Change from Prior Year	
				in Dollars	as a Percent
Revenue					
Program revenues:					
Charges for services	\$702,197	\$748,828	\$739,239	\$(9,589)	(1.3)
Operating grants and contributions	188,503	160,666	183,766	23,100	14.4
Capital grants and contributions	228,526	10,000	57,820	47,820	578.2
General revenues:					
Property taxes	2,247,383	2,312,613	2,478,515	165,902	7.2
State shared revenue	269,757	261,724	268,675	6,951	2.7
Investment and other	303,672	372,055	297,709	(74,346)	(20.0)
Total revenue	3,940,038	3,865,886	4,025,725	157,839	
Expenses					
General government	626,034	631,783	698,964	67,181	10.6
Public safety	969,480	1,060,753	1,190,844	130,091	12.3
Public works	1,240,075	800,609	1,002,406	201,797	25.2
Community and economic development	133,680	86,940	75,329	(11,611)	(8.7)
Culture and recreation	572,715	845,875	833,740	(12,135)	(9.9)
Interest on long-term debt	113,506	109,634	108,169	(1,465)	(1.3)
Total expenses	3,655,490	3,535,594	3,909,182	373,588	10.5
Change in Net Assets	\$284,548	\$330,292	\$116,543	(213,751)	(64.7)

The City's governmental net assets increased 1.1 percent from a year ago, increasing from approximately \$10.85 million to \$10.97 million. Total governmental revenues were \$4,025,725 while total governmental expenses were \$3,909,182, resulting in an increase to net assets of \$116,543.

Total governmental revenues increased approximately \$160,000, despite decreases in building permits and investment earnings. The increase, which represents 2.6 percent, was primarily due to the continuing increase in property taxes.

The City's total governmental expenses increased approximately \$374,000, from \$3.54 million in 2007 to \$3.85 million in 2008. This total increase of 10.5 percent was primarily the result of an increase in public works expenses. Public works expenses increased from \$800,609 to \$1,002,406 due to money expended for road repairs and maintenance. Public safety expenses also increased as a result of an increase in capital outlay and operating supply expenses including gasoline.

Business-type Activities

The following table shows, in a condensed format, the current year's net assets and changes in net assets compared to the prior two years:

	6/30/06	6/30/07	6/30/08	Change from Prior Year	
				in Dollars	as a Percent
Capital assets	\$ 2,178,390	\$2,327,212	\$2,476,306	\$149,094	6.4
Other assets	548,821	256,242	56,852	(199,390)	(77.8)
Total assets	2,727,211	2,583,454	2,533,158	(50,296)	(1.9)
Long-term liabilities	1,337,043	1,301,465	1,247,660	(53,805)	(4.1)
Other liabilities	207,344	159,639	137,240	(22,399)	(14.0)
Total liabilities	1,544,387	1,461,104	1,384,900	(76,204)	(5.2)
Net Assets:					
Invested in capital assets, net of related debt	777,867	959,343	1,159,496	200,153	20.9
Unrestricted	404,957	163,007	(11,238)	(174,245)	(6.9)
Total net assets	\$1,182,824	\$1,122,350	\$1,148,258	\$25,908	2.3

	2006	2007	2008	Change from Prior Year	
				in Dollars	as a Percent
Revenue					
Program revenues:					
Charges for services	\$1,006,797	\$974,050	\$1,010,446	\$36,396	3.7
Capital grants and contributions	29,035	0	0	0	0
General revenues:					
Investment and other	15,316	4,845	2,134	(2,711)	(56.0)
Total revenue	1,051,148	978,895	1,012,580	33,685	3.4
Expenses					
Water and sewer	885,990	1,039,369	986,672	(52,697)	(5.1)
Total expenses	885,990	1,039,369	986,672	(52,697)	(5.1)
Change in Net Assets	\$165,158	\$(60,474)	\$25,908	\$86,382	125.9

Note: The 2007 amounts have been adjusted for the prior period adjustment.

The City's business-type activities consist of the Water and Sewer Fund. The City provides water and sewer services to residents through contracts or consortiums with the Detroit Water and Sewerage Department. Total net assets of the business-type activities increased 2.3 percent from a year ago, increasing from \$1,122,350 to \$1,148,258. Operations of the systems improved compared to the prior year. The current year income from operations was \$75,876 compared to the prior year operating loss of \$26,232. The change in operating income is mainly a result of an increase in charges for services of approximately \$29,000 and a decrease in repairs and maintenance expenses of approximately \$72,000.

The City's Funds

Our analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Commission creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for the current year include the General Fund, the Local Street Fund, and the I-696 Segregated Capital Asset Fund.

The General Fund pays for most of the City's governmental services. However, the most significant governmental service is police and fire protection, which incurred expenses of approximately \$1.10 million in 2008 which was an increase of \$64,246, or 6.2 percent, from 2007. Although total General Fund revenues increased from a year ago by \$107,174, total General Fund expenditures for 2008 were greater than revenues resulting in a decrease in fund balance of \$80,835. Ending fund balance was \$788,478, of which \$768,189 was unreserved. Unreserved fund balance represents 30 percent of total general fund expenditures.

The remaining major governmental funds also reported decreases in fund balance. The Local Streets Fund experienced a decrease of \$44,054 as a result of street construction projects that took place. The I-696 Segregated Capital Asset Fund had a decrease in fund balance of \$11,376 which resulted from transfers of investment earnings to various funds.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. Budget amendments were made as a result of an estimated increase in accounting service fees, and additional wages in the parks and recreation department and the clerk's office. Overall, revenues fell below the amended budget by \$42,706 and expenditures were slightly above the amended budget by \$12,989.

Capital Asset and Debt Administration

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008 amounted to \$11,443,621, net of accumulated depreciation. This investment in capital assets includes land, buildings, police equipment, roads and the water and sewer system. Current year additions to capital assets included road improvements totaling approximately \$767,000 for improvements to Wellesley, Oakdale, Devonshire, and Kenberton Roads. There was also approximately \$53,000 in additions to the recreation center which included the purchase of furniture and fitness equipment and approximately \$19,000 in improvements to the swimming pool.

As of June 30, 2008, the City had total debt outstanding of \$3,967,206. The outstanding debt consists of general obligation bonds, accrued compensated absences, and contractual obligations to the County for the City's share of drain bonds.

More detailed information concerning capital assets and long-term debt can be found in within the notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

There are several economic factors that will challenge the City in the next several years. These include potential state revenue-sharing cuts, health insurance increases, pension costs, pre-funding of retiree health care (GASB 45), and declining assessed property tax values. These factors were considered in the preparation of the City's fiscal year 2008-2009 budget.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

BASIC FINANCIAL STATEMENTS

City of Pleasant Ridge

STATEMENT OF NET ASSETS

June 30, 2008

	Primary Government			Component
	Governmental	Business-type	Total	Unit
	Activities	Activities		(DDA)
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,691,306	\$ -	\$ 1,691,306	\$ 72,201
Investments	2,983,561	-	2,983,561	-
Receivables	68,464	221,823	290,287	257
Inventory	20,289	-	20,289	-
Due from other governmental units	118,621	-	118,621	-
Internal balances	164,971	(164,971)	-0-	-
Total current assets	5,047,212	56,852	5,104,064	72,458
Noncurrent assets				
Capital assets not being depreciated	2,033,515	1,783,948	3,817,463	-
Capital assets being depreciated, net	6,933,800	692,358	7,626,158	-
Total noncurrent assets	8,967,315	2,476,306	11,443,621	-0-
TOTAL ASSETS	14,014,527	2,533,158	16,547,685	72,458
LIABILITIES				
Current liabilities				
Accounts payable	319,959	59,259	379,218	1,286
Accrued liabilities	46,509	-	46,509	-
Accrued interest payable	30,658	8,831	39,489	-
Current portion of compensated absences	161,498	-	161,498	-
Current portion of long-term debt	73,276	69,150	142,426	-
Total current liabilities	631,900	137,240	769,140	1,286
Noncurrent liabilities				
Noncurrent portion of long-term debt	2,415,622	1,247,660	3,663,282	-
TOTAL LIABILITIES	3,047,522	1,384,900	4,432,422	1,286
NET ASSETS				
Invested in capital assets, net of related debt	6,478,417	1,159,496	7,637,913	-
Restricted for:				
Debt service	159,417	-	159,417	-
Capital improvement	20,809	-	20,809	-
Segregated capital-corpus	3,242,872	-	3,242,872	-
Other purposes	392,626	-	392,626	-
Unrestricted	672,864	(11,238)	661,626	71,172
TOTAL NET ASSETS	\$ 10,967,005	\$ 1,148,258	\$ 12,115,263	\$ 71,172

See accompanying notes to financial statements.

City of Pleasant Ridge
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit (DDA)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 698,964	\$ 395,600	\$ 18,671	\$ 14,000	\$ (270,693)	\$ -	\$ (270,693)	\$ -
Public safety	1,190,844	71,046	-	-	(1,119,798)	-	(1,119,798)	-
Public works	1,002,406	139,688	147,077	-	(715,641)	-	(715,641)	-
Community and economic development	75,329	36,155	18,018	43,820	22,664	-	22,664	-
Recreation and cultural	833,470	96,750	-	-	(736,720)	-	(736,720)	-
Interest on long-term debt	108,169	-	-	-	(108,169)	-	(108,169)	-
Total governmental activities	3,909,182	739,239	183,766	57,820	(2,928,357)	-0-	(2,928,357)	-0-
Business-type activities:								
Water and sewer	986,672	1,010,446	-	-	-	23,774	23,774	-
Total primary government	<u>\$ 4,895,854</u>	<u>\$ 1,749,685</u>	<u>\$ 183,766</u>	<u>\$ 57,820</u>	(2,928,357)	23,774	(2,904,583)	-0-
Component unit:								
Downtown Development Authority	<u>\$ 143,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-0-	-0-	-0-	(143,231)
		General revenues:						
		Property taxes			2,478,515	-	2,478,515	96,735
		State shared revenue			268,675	-	268,675	-
		Investment earnings			243,072	2,074	245,146	3,709
		Miscellaneous			54,638	60	54,698	15,638
		Total general revenues			3,044,900	2,134	3,047,034	116,082
		Change in net assets			116,543	25,908	142,451	(27,149)
		Restated net assets, beginning of the year			10,850,462	1,122,350	11,972,812	98,321
		Net assets, end of the year			\$ 10,967,005	\$ 1,148,258	\$ 12,115,263	\$ 71,172

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

BALANCE SHEET

June 30, 2008

	General	Local Street	I-696 Segregated Capital Asset
ASSETS			
Cash and cash equivalents	\$ 640,868	\$ 163,521	\$ 280,298
Investments	-	-	2,983,561
Receivables			
Accounts	19,652	-	-
Interest	8	-	16,870
Inventory	20,289	-	-
Due from other governmental units	94,529	6,134	-
Due from other funds	164,971	-	-
TOTAL ASSETS	\$ 940,317	\$ 169,655	\$ 3,280,729
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 110,866	\$ 169,655	\$ -
Accrued wages	25,648	-	-
Accrued liabilities	7,298	-	-
Deferred revenue	8,027	-	-
TOTAL LIABILITIES	151,839	169,655	-0-
FUND BALANCES			
Reserved for:			
SCAF corpus	-	-	3,242,872
Debt service	-	-	-
Inventory	20,289	-	-
Unreserved			
Designated for capital projects	-	-	-
Undesignated, reported in:			
General Fund	768,189	-	-
Special Revenue Funds	-	-	37,857
TOTAL FUND BALANCES	788,478	-0-	3,280,729
TOTAL LIABILITIES AND FUND BALANCES	\$ 940,317	\$ 169,655	\$ 3,280,729

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 606,619	\$ 1,691,306
-	2,983,561
29,035	48,687
2,899	19,777
-	20,289
17,958	118,621
-	164,971
<u>\$ 656,511</u>	<u>\$ 5,047,212</u>
\$ 39,438	\$ 319,959
13,563	39,211
-	7,298
-	8,027
<u>53,001</u>	<u>374,495</u>
-	3,242,872
190,075	190,075
-	20,289
20,809	20,809
-	768,189
392,626	430,483
<u>603,510</u>	<u>4,672,717</u>
<u>\$ 656,511</u>	<u>\$ 5,047,212</u>

City of Pleasant Ridge

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

June 30, 2008

Total fund balance - governmental funds **\$ 4,672,717**

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 14,619,227	
Accumulated depreciation is	<u>(5,651,912)</u>	
Capital assets, net		8,967,315

Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds. These consist of:

Deferred revenue		8,027
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet. Long-term liabilities at year-end consist of:

Bonds and notes payable	(2,488,898)	
Accrued interest payable	(30,658)	
Compensated absences	<u>(161,498)</u>	
		<u>(2,681,054)</u>

Net assets of governmental activities **\$ 10,967,005**

See accompanying notes to financial statements.

City of Pleasant Ridge

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	General	Local Streets	I-696 Segregated Capital Asset
REVENUES			
Taxes	\$ 1,597,859	\$ -	\$ -
Licenses and permits	85,043	-	-
Intergovernmental	292,395	44,383	-
Charges for services	400,166	-	-
Fines and forfeits	58,879	-	-
Interest and rents	27,768	13,752	174,009
Other	53,604	-	-
TOTAL REVENUES	2,515,714	58,135	174,009
EXPENDITURES			
Current			
General government	629,769	-	-
Public safety	1,100,147	-	-
Public works	222,082	94,717	-
Community and economic development	70,342	-	-
Recreation and cultural	384,501	-	-
Other	186,775	-	-
Debt service	-	-	-
Capital outlay	-	621,128	-
TOTAL EXPENDITURES	2,593,616	715,845	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(77,902)	(657,710)	174,009
OTHER FINANCING SOURCES (USES)			
Note issuance	-	-	-
Transfers in	28,354	613,656	-
Transfers out	(31,287)	-	(185,385)
TOTAL OTHER FINANCING SOURCES (USES)	(2,933)	613,656	(185,385)
NET CHANGE IN FUND BALANCES	(80,835)	(44,054)	(11,376)
Fund balances, beginning of year	801,850	44,054	3,292,105
Prior period adjustments	67,463	-	-
Fund balances, end of year	\$ 788,478	\$ -0-	\$ 3,280,729

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 880,656	\$ 2,478,515
-	85,043
109,645	446,423
177,213	577,379
-	58,879
32,866	248,395
13,649	67,253
1,214,029	3,961,887
-	629,769
-	1,100,147
417,698	734,497
-	70,342
273,733	658,234
-	186,775
183,785	183,785
79,694	700,822
954,910	4,264,371
259,119	(302,484)
41,718	41,718
194,982	836,992
(620,320)	(836,992)
(383,620)	41,718
(124,501)	(260,766)
698,588	4,836,597
29,423	96,886
<u>\$ 603,510</u>	<u>\$ 4,672,717</u>

City of Pleasant Ridge

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2008

Net change in fund balances - total governmental funds **\$ (260,766)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 765,306	
Depreciation expense	<u>(476,789)</u>	
Excess of capital outlay over depreciation expense		288,517

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Increase in deferred revenue		6,018
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Installment note issuance	(41,718)	
Bond and note principal retirements	<u>78,787</u>	
		37,069

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(3,171)	
Decrease in compensated absences	<u>48,876</u>	
		<u>45,705</u>

Change in net assets of governmental activities **\$ 116,543**

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2008

	Business-type Activities Water and Sewer
ASSETS	
Current assets	
Cash and cash equivalents	\$ -
Accounts receivable	221,737
Interest receivable	86
Total current assets	221,823
Noncurrent assets	
Capital assets not being depreciated	1,783,948
Capital assets being depreciated, net	692,358
Total noncurrent assets	2,476,306
TOTAL ASSETS	2,698,129
LIABILITIES	
Current liabilities	
Accounts payable	59,259
Accrued interest payable	8,831
Due to other funds	164,971
Current portion of long-term debt	69,150
Total current liabilities	302,211
Noncurrent liabilities	
Noncurrent portion of long-term debt	1,247,660
TOTAL LIABILITIES	1,549,871
NET ASSETS	
Invested in capital assets, net of related debt	1,159,496
Unrestricted	(11,238)
TOTAL NET ASSETS	\$ 1,148,258

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

Year Ended June 30, 2008

	Business-type Activities Water and Sewer
OPERATING REVENUES	
Charges for services	\$ 990,584
Penalties and fines	19,862
Other	60
TOTAL OPERATING REVENUES	1,010,506
OPERATING EXPENSES	
Salaries and wages	33,337
Contractual services	98,034
Water purchases	146,672
Sewage treatment	337,812
Administrative charges	175,608
Repairs and maintenance	55,058
Operating supplies	5,249
Depreciation	59,931
Other	22,929
TOTAL OPERATING EXPENSES	934,630
OPERATING INCOME	75,876
NONOPERATING REVENUES (EXPENSES)	
Interest earned	2,074
Interest expense and fees	(52,042)
TOTAL NONOPERATING REVENUES (EXPENSES)	(49,968)
CHANGE IN NET ASSETS	25,908
Net assets, beginning of year	1,121,530
Prior period adjustment	820
Net assets, end of year	\$ 1,148,258

See accompanying notes to financial statements.

City of Pleasant Ridge

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2008

	Business-type Activities Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash receipts from customers and others	\$ 1,077,705
Cash paid to suppliers	(740,696)
Cash paid to employees	(33,337)
NET CASH PROVIDED BY OPERATING ACTIVITIES	303,672
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(209,025)
Proceeds from issuance of long-term debt	171,353
Payments on borrowing	(222,412)
Interest expense and fees	(52,042)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(312,126)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earned	2,074
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,380)
Cash and cash equivalents, beginning of year	6,380
Cash and cash equivalents, end of year	\$ -0-
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 75,876
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	59,931
Decrease in accounts receivable	61,426
(Increase) in interest receivable	(86)
Decrease in prepaid expenses	859
Decrease in due from other funds	5,000
(Decrease) in accounts payable	(33,976)
Increase in accrued interest payable	8,831
Increase in due to other funds	125,811
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 303,672

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pleasant Ridge is located in Oakland County, Michigan and has a population of approximately 2,600. The City of Pleasant Ridge operates with a City Manager/Commission form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has five (5) City Commissioners, including the Mayor, who are elected at-large every two (2) years for overlapping four (4) year terms. The Commissioner with the most votes in the prior election is the Mayor Pro-Tem. A full-time City Manager is appointed by the City Commission to carry out the policies that are established.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Pleasant Ridge (primary government) and its component unit. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City remains financially accountable for this entity or the nature and significance of the relationship between the entity and the City is such that exclusion of the entity would render the financial statements misleading or incomplete. The financial statements contain the following discretely presented component unit:

Downtown Development Authority - The members of the governing board of the Downtown Development Authority are appointed by the City Commission. The City Commission approves the Downtown Development Authority's annual budget and any required budget amendments. The City Commission also has the ability to significantly influence operations of the Downtown Development Authority.

3. Joint Ventures

The City participates in the following activities which are considered to be joint ventures in relation to the City, due to the formation of an organization by contractual agreement between two (2) or more participants that maintain joint control, financial interest, and financial responsibility.

Southeastern Oakland County Resource Recovery Authority - The City is a member of the Southeastern Oakland County Resource Recovery Authority (S.O.C.R.R.A.), which is a joint venture among twelve (12) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. S.O.C.R.R.A. provides waste disposal and recycling services to its municipal communities. Principal funding for the Authority is derived from waste disposal charges to the member municipalities. For the year ended June 30, 2008, the City of Pleasant Ridge expended \$152,928 in payments to S.O.C.R.R.A.

The financial activities of S.O.C.R.R.A. are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2008, are available at S.O.C.R.R.A.'s administrative offices. As of June 30, 2008, S.O.C.R.R.A. had net assets of \$5,819,732.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Joint Ventures - continued

Southeastern Oakland County Water Authority - The City is a member of the Southeastern Oakland County Water Authority (S.O.C.W.A.), which is a joint venture among eleven (11) municipalities in Oakland County, including the City of Pleasant Ridge. The City appoints one (1) member of the governing board, which approves the annual budget. S.O.C.W.A. provides a water supply system for use by the participating municipalities. Principal funding for the Authority is derived from water charges to the member municipalities. For the year ended June 30, 2008, the City of Pleasant Ridge expended \$146,672 in payments to S.O.C.W.A.

The financial activities of S.O.C.W.A. are accounted for and reported separately from the participating units. Separate audited financial statements for the year ended June 30, 2008, are available at S.O.C.W.A.'s administrative offices. As of June 30, 2008, S.O.C.W.A. had net assets of \$13,655,090.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component unit as a whole. For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the primary government and its component unit and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and the major individual enterprise fund are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Local Streets Fund is used to account for financial resources that are used for repairs and maintenance of the City's local streets.
- c. The I-696 Segregated Capital Asset Fund was established to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property for the construction of interstate highway 696.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

The City reports the following major enterprise fund:

- a. The Water and Sewer Fund is used to account for the operations required to provide water distribution, water treatment, sewage disposal, and sewage treatment systems for the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

If/when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

The General and Special Revenue Fund budgets shown as required supplementary information were prepared on the same modified accrual basis used to reflect actual results. This basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for all required governmental fund types. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. The City requires the City Manager to submit an estimate of revenues and anticipated expenditures for the succeeding fiscal year on or before April 10 of each year. The City Manager is then authorized to assign and transfer budget amounts within each fund to the extent that the net total fund appropriation (which the City defines as gross authorized expenditures less related revenues that are specifically designated to fund those activities) is not exceeded. City Commission approval is required for any budgetary changes that result in an increase to net appropriations.
- b. A budget workshop is held between the time of the City Manager's submission of the budget and the second meeting held in May.
- c. A Public Hearing is conducted to obtain taxpayers' comments in May.
- d. Prior to the second regular Commission meeting in May, the budget is legally enacted through passage of a resolution.
- e. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- f. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. Budgeted amounts are reported as originally adopted or amended by the City Commission during the year. Individual amendments were appropriately approved by the City Commission as required.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, money market, and certificates of deposit.

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include U.S. Government Securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All investments are stated at market value.

9. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan for various payments and grants and receivables for charges for services provided to local governmental units.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

10. Receivables

Receivables consist of amounts due related to charges for services, interest receivable, and other amounts owed to the City at year-end.

11. Property Tax

The City of Pleasant Ridge bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph:

Property taxes are levied by the City of Pleasant Ridge on July 1 on the taxable valuation of property located in the City as of the preceding December 31 and are payable without penalty through July 31, or if elected by the taxpayer, paid in eight monthly installments from July through February. The July 1 levy is composed of the City's millage, County's millage assessments, and school taxes. All real property taxes not paid to the City by March 1 are turned over to the Oakland County Treasurer for collection. The Oakland County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes receivable are retained by the City for subsequent collection. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted by charter to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. They are also permitted to levy additional mills specifically designated for refuse services, infrastructure improvements, library services, and pool operations and debt. For the year ended June 30, 2008, the City levied 11.4248 mills per \$1,000 of taxable valuation for general governmental services, 1.7134 for refuse services, 2.4124 for infrastructure improvements, 0.3200 for library services, 1.2722 for pool operations, and 1.0000 for pool debt. The total taxable value for the 2007 levy for property within the City was \$134,932,650.

12. Inventory

The cost of inventory items in governmental funds is recorded as an expenditure at the time of purchase. Inventory consists of unsold postage and is stated at cost.

13. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for accumulated vacation and sick time. All employees with accumulated unused vacation and sick time pay at June 30, 2008 were vested and the total due to them, along with related payroll taxes, is recorded entirely in the government-wide financial statements.

14. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**15. Capital Assets**

Capital assets include land, land improvements, infrastructure, buildings and improvements, vehicles, equipment, water meters, and utility systems and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities and business-type activities columns. The City does not currently have a capital asset policy indicating a threshold for capitalizing assets. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Infrastructure	12 - 20 years
Land improvements	15 years
Buildings and improvements	10 - 50 years
Vehicles	3 years
Equipment	5 - 15 years
Water and wastewater system	25 years
Water meters	15 years

16. Long-term Liabilities

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated in a Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

17. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers' acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143 to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2008, the carrying amounts and bank balances for each type of bank account are as follows:

<u>ACCOUNT TYPE</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
PRIMARY GOVERNMENT		
Checking and savings	\$ 1,690,045	\$ 1,753,564
Certificates of deposit	<u>2,363,497</u>	<u>2,363,497</u>
	4,053,542	4,117,061
COMPONENT UNIT		
Checking	<u>72,201</u>	<u>72,201</u>
TOTAL REPORTING ENTITY	<u>\$ 4,125,743</u>	<u>\$ 4,189,262</u>

The primary government cash and cash equivalents caption on the basic financial statements included \$1,260 of imprest cash.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2008, the City accounts were insured by the FDIC for \$1,584,845 and the amount of \$2,604,417 was uninsured and uncollateralized.

City of Pleasant Ridge
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Investments

As of June 30, 2008, the City had the following investments:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Moody's Rating</u>	<u>Weighted Average Maturity</u>
PRIMARY GOVERNMENT				
Pooled Investment				
Federal Home Loan Mortgage Corp.	\$ 519,626	\$ 519,626	Aaa	4.91 years
Federal Home Loan Bank	<u>100,438</u>	<u>100,438</u>	Aaa	4.48 years
	<u>\$ 620,064</u>	<u>\$ 620,064</u>		

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2008, rating information on the City's investments is presented above.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Concentration of credit risk

The City will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

Limiting investments to the types of securities listed in the "Authorized Investments" section; pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with the "Authorized Institutions" section; and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Custodial credit risk

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by limiting investments to the types of securities authorized by the Commission and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisers with which the City will do business in accordance with Commission approved policy.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

The cash and cash equivalents and investments referred to above have been reported in the cash and cash equivalents caption on the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2008:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,691,305	\$ 72,201	\$ 1,763,506
Investments	<u>2,983,561</u>	<u>-</u>	<u>2,983,561</u>
	<u>\$ 4,674,866</u>	<u>\$ 72,201</u>	<u>\$ 4,747,067</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at June 30, 2008, are as follows:

Due to General Fund from:	
Water and Sewer Fund	<u>\$ 164,971</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to General Fund from:	
I-696 Segregated Capital Asset Fund	<u>\$ 28,354</u>
Transfer to Local Streets Fund from:	
Nonmajor governmental funds	<u>\$ 613,656</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 31,287
I-696 Segregated Capital Asset Fund	157,031
Nonmajor governmental funds	<u>6,664</u>
	<u>\$ 194,982</u>

City of Pleasant Ridge
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2008 was as follows:

Primary Government

	Balance July 1, 2007	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2008
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,746,700	\$ -	\$ -	\$ 1,746,700
Construction in progress	<u>477,018</u>	<u>286,815</u>	<u>(477,018)</u>	<u>286,815</u>
	2,223,718	286,815	(477,018)	2,033,515
Capital assets, being depreciated				
Land improvements	1,108,172	57,820	(13,210)	1,152,782
Buildings and improvements	3,558,560	24,541	-	3,583,101
Vehicles	89,601	20,950	(27,462)	83,089
Equipment	612,217	59,188	-	671,405
Infrastructure - streets and alleys	<u>6,302,325</u>	<u>793,010</u>	<u>-</u>	<u>7,095,335</u>
Subtotal	11,670,875	955,509	(40,672)	12,585,712
Less accumulated depreciation for:				
Land improvements	(653,863)	(58,420)	12,334	(699,949)
Buildings and improvements	(715,044)	(116,386)	-	(831,430)
Vehicles	(83,896)	(12,689)	27,462	(69,123)
Equipment	(424,255)	(28,678)	-	(452,933)
Infrastructure - streets and alleys	<u>(3,338,737)</u>	<u>(259,740)</u>	<u>-</u>	<u>(3,598,477)</u>
Subtotal	<u>(5,215,795)</u>	<u>(475,913)</u>	<u>39,796</u>	<u>(5,651,912)</u>
Net capital assets being depreciated	<u>6,455,080</u>	<u>2,578</u>	<u>(876)</u>	<u>6,933,800</u>
Capital assets, net	<u>\$ 8,678,798</u>	<u>\$ 289,393</u>	<u>\$(477,894)</u>	<u>\$ 8,967,315</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 53,457
Public safety	18,513
Public works	267,909
Recreation and cultural	<u>136,910</u>
Total depreciation expense	<u>\$ 476,789</u>

The current year depreciation expense in the Governmental Activities of \$475,913 has been adjusted by \$876 for the disposal of capital assets during the year, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

City of Pleasant Ridge
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated				
Construction in progress	\$ 1,633,346	\$ 150,602	\$ -	\$ 1,783,948
Capital assets, being depreciated				
Water and sewer transmission and distribution system	1,315,510	58,423	-	1,373,933
Water meters	404,997	-	-	404,997
Vehicles and miscellaneous equipment	<u>22,641</u>	<u>-</u>	<u>-</u>	<u>22,641</u>
Subtotal	1,743,148	58,423	-0-	1,801,571
Less accumulated depreciation for				
Water and sewer transmission and distribution system	(850,554)	(30,011)	-	(880,565)
Water meters	(187,769)	(27,000)	-	(214,769)
Vehicles and miscellaneous equipment	<u>(10,959)</u>	<u>(2,920)</u>	<u>-</u>	<u>(13,879)</u>
Subtotal	<u>(1,049,282)</u>	<u>(59,931)</u>	<u>-0-</u>	<u>(1,109,213)</u>
Net capital assets, being depreciated	<u>693,866</u>	<u>(1,508)</u>	<u>-0-</u>	<u>692,358</u>
Capital assets, net	<u>\$ 2,327,212</u>	<u>\$ 149,094</u>	<u>\$ -0-</u>	<u>\$ 2,476,306</u>

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2008.

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008	Amounts Due Within One Year
PRIMARY GOVERNMENT					
Governmental activities					
Pool/Fitness Center Bonds	\$ 2,425,000	\$ -	\$ 50,000	\$ 2,375,000	\$ 50,000
Building Addition Loan	9,900	-	6,600	3,300	3,300
DPW Improvements Loan	91,067	-	8,492	82,575	10,307
Installment Purchase Agreement	-	41,718	13,695	28,023	9,669
Compensated Absences	<u>210,374</u>	<u>170,661</u>	<u>219,537</u>	<u>161,498</u>	<u>161,498</u>
	2,736,341	212,379	298,324	2,650,396	234,774
Business-type activities					
Water and Sewer System					
George W. Kuhn Drain Bonds	<u>1,367,869</u>	<u>171,353</u>	<u>222,412</u>	<u>1,316,810</u>	<u>69,150</u>
	<u>\$ 4,104,210</u>	<u>\$ 383,732</u>	<u>\$ 520,736</u>	<u>\$ 3,967,206</u>	<u>\$ 303,924</u>

City of Pleasant Ridge
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE F: LONG-TERM DEBT - CONTINUED

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

\$2,550,000 General Obligation Unlimited Tax Bonds dated June 1, 2003, due in annual installments ranging from \$50,000 to \$200,000 through April 1, 2028, with interest ranging from 3.125 to 5.0 percent, payable semi-annually. \$ 2,375,000

Installment Loans

\$66,000 Installment Purchase Agreement dated August 28, 1998, due in semi-annual installments of \$3,300 through July 1, 2008, with interest of 5.22 percent, payable annually. \$ 3,300

\$110,000 Installment Purchase Agreement dated September 23, 2004, due in annual installments ranging from \$10,307 to \$14,739 through September 1, 2014, with interest of 3.69 percent, payable annually. 82,575

\$41,718 Installment Purchase Agreement dated July 25, 2007, due in annual installments ranging from \$7,295 to \$11,058 through August 1, 2010, with interest of 14 percent, payable annually. 28,023
\$ 113,898

Water and Sewer System George W. Kuhn Drain Bonds

The City is a participating community in the George W. Kuhn drain project. The project is administered by the Oakland County Drain Commission, and financed through the sale of drain bonds, draw downs from the State of Michigan revolving fund, Federal and State of Michigan grants, and contributions from Oakland County, Michigan. The City along with thirteen other local communities is obligated for the payment of principal and interest of the outstanding debt. The City's total obligation is \$1,316,810 or 1.2995% of the county's total obligation. \$ 1,316,810

Compensated Absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/vacation time. The dollar amounts of these vested rights including related payroll taxes, which have been recorded in the government-wide financial statements, amounted to \$161,498 at June 30, 2008.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE F: LONG-TERM DEBT - CONTINUED

The annual requirements to pay the debt principal and interest outstanding for the Bonds and Notes are as follows:

Primary Government

Year Ending June 30,	<u>General Obligation Bonds</u>		<u>Installment Loan Agreements</u>		<u>Drain Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	\$ 50,000	\$ 97,367	\$ 23,276	\$ 7,159	\$ 69,150	\$ 35,529
2010	50,000	94,868	21,746	5,303	70,886	33,613
2011	75,000	93,305	18,377	3,320	72,710	31,671
2012	75,000	90,868	11,491	1,863	74,599	29,678
2013	75,000	88,336	11,915	1,439	76,815	27,625
2014-2018	475,000	395,652	27,093	1,544	415,736	105,503
2019-2023	675,000	283,434	-	-	451,492	45,254
2024-2028	900,000	122,571	-	-	85,422	1,864
	<u>\$ 2,375,000</u>	<u>\$ 1,266,401</u>	<u>\$ 113,898</u>	<u>\$ 20,628</u>	<u>\$ 1,316,810</u>	<u>\$ 310,737</u>

NOTE G: RETIREMENT PLAN

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City Commission and by negotiation with the City's collective bargaining units. The plan requires no contribution from the employees.

Annual Pension Cost

For year ended June 30, 2008, the City's annual pension cost of \$106,922 for the plan was equal to the City's required and actual contribution. The estimated annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age normal cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases ranging from 0% to 8.4% per year depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement.

The actuarial value of MERS assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE G: RETIREMENT PLAN - CONTINUED

Three (3) year trend information

	Year Ended December 31,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Actuarial value of assets	\$ 2,621,153	\$ 2,672,862	\$ 2,748,784
Actuarial accrued liability (AAL) (entry age)	3,779,317	3,826,485	3,959,143
Unfunded AAL	1,158,164	1,153,623	1,210,359
Funded ratio	69 %	70 %	69 %
Covered payroll	536,996	498,713	576,024
UAAL as a percentage of covered payroll	216 %	231 %	210 %

	Year Ended June 30,		
	<u>2006</u>	<u>2007</u>	<u>2008</u>
Annual pension cost	\$ 102,210	\$ 96,385	\$ 106,922
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

NOTE H: CODE ENFORCEMENT FINANCIAL INFORMATION

The City has elected to report the financial activities of the code enforcement department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2008:

REVENUES	
Licenses and permits	
Building permits	\$ 27,455
Electrical permits	3,325
Plumbing/heating permits	<u>4,185</u>
TOTAL REVENUE	34,965
EXPENDITURES	
Salaries and wages	47,538
Benefits	15,181
Operating supplies	<u>379</u>
TOTAL EXPENDITURES	<u>63,098</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$ (28,133)</u>

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE I: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a State pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. The City has individual self-insured retention amounts of \$75,000 for Sewage System Overflows (per occurrence) and a \$250 deductible per occurrence of property and crime coverage. State pool members' limits of coverage (per occurrence) are \$15,000,000 for liability and about \$5,000,000 for property. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE J: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balance and net assets are used to earmark a portion of fund equity to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2008:

Primary Government	
General Fund	
Reserved for inventory	\$ 20,289
I-696 Segregated Capital Asset Fund	
Reserved for:	
SCAF corpus	3,242,872
Nonmajor governmental funds	
Reserved for debt service	<u>190,075</u>
	<u>\$ 3,433,236</u>

The following is a fund balance designation as of June 30, 2008:

Primary Government	
Nonmajor governmental funds	
Designated for capital projects	<u>\$ 20,809</u>

NOTE K: I-696 SEGREGATED CAPITAL ASSET SPECIAL REVENUE FUND

The I-696 Segregated Capital Asset Fund ("SCAF") was established in 1986 to account for the funds received from the State of Michigan in connection with condemnation proceedings instituted by the State to acquire City-owned property. The property is located along the City's northern boundary and was acquired by the State for right-of-way for the I-696 highway. The property consisted of unimproved land used by the City for recreation purposes.

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE K: I-696 SEGREGATED CAPITAL ASSET SPECIAL REVENUE FUND - CONTINUED

The State had remitted in prior years, its "good faith offer" of \$1,022,000 to the City together with related interest. During fiscal year 1995, the City of Pleasant Ridge and the State signed a settlement agreement ending the condemnation proceedings. The City received \$4,250,000 as final compensation covering unpaid principal and interest and any other costs or claims which the City had against the Department of Transportation arising out of the condemnation proceedings. Out of the proceeds, \$700,000 was earmarked under the settlement agreement for the repair and improvement of local roads that the City claimed were damaged by the I-696 project. In addition, the City was obligated, under a binding agreement, to pay one-third of the amount received, or \$1,416,667, to attorneys representing the City in the matter. The attorneys accepted \$1,250,000 in full settlement for their services.

The funds that were received, after the above deductions, are restricted for use by the City Code, primarily for capital acquisitions as described in Chapter Two, Article II, Division Nine, Sections 2-131 through 2-139. The restricted principal amount is \$3,242,872, which is reflected as reserved fund balance in the Special Revenue Fund.

NOTE L: RESTRICTED NET ASSETS

Restrictions of net assets shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2008:

PRIMARY GOVERNMENT

Governmental activities

Restricted for debt service	\$ 159,417
Restricted for capital improvements	20,809
Restricted for segregated capital-corpus	3,242,872
Restricted for other purposes	
Streets	163,076
Infrastructure improvements	11,776
Solid waste services	98,495
Pool/Fitness facility operations	54,529
Public safety	18,383
Recreation and cultural	<u>46,367</u>
	<u>\$ 3,815,724</u>

NOTE M: RESTATEMENT OF NET ASSETS

Beginning net assets have been restated for the governmental activities, business-type activities, and component unit to reflect corrections of accounting errors. The governmental activities cash had been overstated by \$12,255, accounts receivable had been understated by \$27,498, inventory had been understated by \$26,134, and accounts payable had been understated by \$55,509. The net adjustment of \$96,886 for the governmental activities results in restated net assets as of June 30, 2007 to \$10,850,462. The business-type activities cash had been understated by \$820. The net adjustment of \$820 for the business-type activities results in restated net assets as of June 30, 2007 to \$1,122,350. The component unit cash had been understated by \$1,993. The net adjustment of \$1,993 for the component unit results in restated net assets as of June 30, 2007, of \$98,321.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE N: PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments were made during the year, which were the result of corrections of accounting errors. These adjustments were reported as changes to beginning fund balance/net assets. The effect on operations and other affected balances for the current and prior year are as follows:

	June 30,		
	2008	2007	
Governmental Funds			
General Fund			
Cash	\$ -	\$(19,198)	To correct overstated
Revenues over (under) expenditures	-	(19,198)	cash
Fund balance - beginning	(19,198)	-	
Accounts receivable	-	17,677	To correct understated
Revenues over (under) expenditures	-	17,667	accounts receivable
Fund balance - beginning	17,677	-	
Inventory	-	26,134	To correct understated
Revenues over (under) expenditures	-	26,134	inventory
Fund balance - beginning	26,134	-	
Accounts payable	-	(42,850)	To correct overstated
Revenues over (under) expenditures	-	42,850	accounts payable
Fund balance - beginning	42,850	-	
Local Streets Fund			
Cash	-	(8,659)	To correct overstated
Revenues over (under) expenditures	-	(8,659)	cash
Fund balance - beginning	(8,659)	-	
Accounts payable	-	(8,659)	To correct overstated
Revenues over (under) expenditures	-	8,659	accounts payable
Fund balance - beginning	8,659	-	
Major Streets Fund			
Cash	-	(3,550)	To correct overstated
Revenues over (under) expenditures	-	(3,550)	cash
Fund balance - beginning	(3,550)	-	
Accounts payable	-	(3,365)	To correct overstated
Revenues over (under) expenditures	-	3,365	accounts payable
Fund balance - beginning	3,365	-	
Infrastructure Improvements Fund			
Cash	-	11,061	To correct understated
Revenues over (under) expenditures	-	11,061	cash
Fund balance - beginning	11,061	-	
Pool/Fitness Facility (Operating) Fund			
Cash	-	5,171	To correct understated
Revenues over (under) expenditures	-	5,171	cash
Fund balance - beginning	5,171	-	

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE N: PRIOR PERIOD ADJUSTMENTS - CONTINUED

	June 30,		
	<u>2008</u>	<u>2007</u>	
Governmental Funds - continued			
Solid Waste Fund			
Cash	\$ -	\$ 7,222	To correct understated cash
Revenues over (under) expenditures	-	7,222	
Fund balance - beginning	7,222	-	
Accounts payable	-	(635)	To correct overstated accounts payable
Revenues over (under) expenditures	-	635	
Fund balance - beginning	635	-	
Library Fund			
Cash	-	1,588	To correct understated cash
Revenues over (under) expenditures	-	1,588	
Fund balance - beginning	1,588	-	
Historical Commission Fund			
Cash	-	(9,821)	To correct overstated cash
Revenues over (under) expenditures	-	(9,821)	
Fund balance - beginning	(9,821)	-	
Accounts receivable	-	9,821	To correct understated accounts receivable
Revenues over (under) expenditures	-	9,821	
Fund balance - beginning	9,821	-	
Pool/Fitness Center Debt Service Fund			
Cash	-	3,931	To correct understated cash
Revenues over (under) expenditures	-	3,931	
Fund balance - beginning	3,931	-	
Enterprise Fund			
Water and Sewer Fund			
Cash	-	820	To correct understated cash
Revenues over (under) expenses	-	820	
Net assets - beginning	820	-	
Component Unit Fund			
Downtown Development Authority Fund			
Cash	-	1,993	To correct understated cash
Revenues over (under) expenditures	-	1,993	
Fund balance - beginning	1,993	-	

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In the required supplementary information to the financial statements, the City's budgeted expenditures for the General, Local Streets, and I-696 Segregated Capital Asset Funds have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and total expenditure level for the Local Streets and I-696 Segregated Capital Asset Funds.

City of Pleasant Ridge

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

NOTE O: EXCESS OF EXPENDITURES OVER APPROPRIATIONS - CONTINUED

During the year ended June 30, 2008, the City incurred expenditures in the General Fund and Local Streets Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
General government			
Manager	\$ 121,653	\$ 127,556	\$ 5,903
Treasurer	86,902	95,581	8,679
Post office	43,519	52,701	9,182
Public safety			
Police department	703,409	709,286	5,877
Community and economic development			
Planning commission	5,450	7,004	1,554
Recreation and cultural			
Parks and recreation department	285,887	348,578	62,691
Other			
Retirement benefits	179,283	186,775	7,492
Other financing uses			
Transfers out	13,354	31,287	17,933
Local Streets Fund	257,350	715,843	458,493

REQUIRED SUPPLEMENTARY INFORMATION

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Property taxes	\$ 1,578,750	\$ 1,578,750	\$ 1,597,859	\$ 19,109
Licenses and permits	90,700	90,700	85,043	(5,657)
Intergovernmental	287,700	287,700	292,395	4,695
Charges for services	432,870	432,870	400,166	(32,704)
Fines and forfeits	56,800	56,800	58,879	2,079
Interest and rents	61,600	61,600	27,768	(33,832)
Other	50,000	50,000	53,604	3,604
TOTAL REVENUES	2,558,420	2,558,420	2,515,714	(42,706)
EXPENDITURES				
Current				
General government				
Commission	40,187	40,187	19,544	20,643
Manager	118,653	121,653	127,556	(5,903)
Treasurer	82,402	86,902	95,581	(8,679)
Clerk	73,087	77,587	72,096	5,491
Assessor	24,510	24,510	21,657	2,853
Elections	20,684	17,684	14,327	3,357
General government	220,547	219,247	205,378	13,869
Attorney services	16,500	16,500	16,333	167
Post office	38,519	43,519	52,701	(9,182)
Cable television	3,545	4,845	4,596	249
Total general government	638,634	652,634	629,769	22,865
Public safety				
Police department	703,409	703,409	709,286	(5,877)
Fire services	390,861	390,861	390,861	-0-
Total public safety	1,094,270	1,094,270	1,100,147	(5,877)
Public works				
Public works services	200,000	200,000	186,800	13,200
Street lighting	36,850	36,850	35,282	1,568
Total public works	236,850	236,850	222,082	14,768
Community and economic development				
Building department	85,911	85,911	63,338	22,573
Planning commission	5,450	5,450	7,004	(1,554)
Total community and economic development	91,361	91,361	70,342	21,019

City of Pleasant Ridge

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2008

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and cultural				
Parks and recreation department	\$ 279,887	\$ 285,887	\$ 348,578	\$ (62,691)
Woodward Dream Cruise	40,342	40,342	35,923	4,419
Total recreation and cultural	320,229	326,229	384,501	(58,272)
Other				
Retirement benefits	179,283	179,283	186,775	(7,492)
TOTAL EXPENDITURES	2,560,627	2,580,627	2,593,616	(12,989)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,207)	(22,207)	(77,902)	(55,695)
OTHER FINANCING SOURCES (USES)				
Transfers in	28,354	28,354	28,354	-0-
Transfers out	(13,354)	(13,354)	(31,287)	(17,933)
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	(2,933)	(17,933)
NET CHANGE IN FUND BALANCE	12,793	(7,207)	(80,835)	(73,628)
Fund balance, beginning of year	801,850	801,850	801,850	-0-
Prior period adjustments	-	-	67,463	67,463
Fund balance, end of year	\$ 814,643	\$ 794,643	\$ 788,478	\$ (6,165)

City of Pleasant Ridge

Local Streets Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - State	\$ 38,275	\$ 38,275	\$ 44,383	\$ 6,108
Interest	-	-	13,752	13,752
TOTAL REVENUES	38,275	38,275	58,135	19,860
EXPENDITURES				
Current				
Public works				
Street maintenance	13,350	13,350	23,737	(10,387)
Traffic services	2,500	2,500	7,873	(5,373)
Winter maintenance	16,500	16,500	63,107	(46,607)
Capital outlay	225,000	225,000	621,128	(396,128)
TOTAL EXPENDITURES	257,350	257,350	715,845	(458,495)
EXCESS OF REVENUES (UNDER) EXPENDITURES	(219,075)	(219,075)	(657,710)	(438,635)
OTHER FINANCING SOURCES				
Transfers in	250,000	250,000	613,656	363,656
NET CHANGE IN FUND BALANCE	30,925	30,925	(44,054)	(74,979)
Fund balance, beginning of year	44,054	44,054	44,054	-0-
Fund balance, end of year	\$ 74,979	\$ 74,979	\$ -0-	\$ (74,979)

City of Pleasant Ridge

I-696 Segregated Capital Asset Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2008

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Interest	\$ 140,000	\$ 140,000	\$ 174,009	\$ 34,009
EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-0-</u>
EXCESS OF REVENUES OVER EXPENDITURES	140,000	140,000	174,009	34,009
OTHER FINANCING USES				
Transfers out	<u>(185,385)</u>	<u>(185,385)</u>	<u>(185,385)</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(45,385)	(45,385)	(11,376)	34,009
Fund balance, beginning of year	<u>3,292,105</u>	<u>3,292,105</u>	<u>3,292,105</u>	<u>-0-</u>
Fund balance, end of year	<u><u>\$ 3,246,720</u></u>	<u><u>\$ 3,246,720</u></u>	<u><u>\$ 3,280,729</u></u>	<u><u>\$ 34,009</u></u>

OTHER SUPPLEMENTARY INFORMATION

City of Pleasant Ridge
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2008

	Special		
	Major Streets	Tree Planting Beautification	Infrastructure Improvements
ASSETS			
Cash and cash equivalents	\$ 147,667	\$ 3,045	\$ 10,802
Accounts receivable	-	-	-
Interest receivable	582	-	974
Due from other governmental units	17,958	-	-
TOTAL ASSETS	<u>\$ 166,207</u>	<u>\$ 3,045</u>	<u>\$ 11,776</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 3,131	\$ 3,045	\$ -
Accrued wages	-	-	-
TOTAL LIABILITIES	3,131	3,045	-0-
FUND BALANCES			
Reserved for:			
Debt service	-	-	-
Unreserved			
Designated for capital projects	-	-	-
Undesignated, reported in:			
Special Revenue Funds	163,076	-	11,776
TOTAL FUND BALANCES	<u>163,076</u>	<u>-0-</u>	<u>11,776</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 166,207</u>	<u>\$ 3,045</u>	<u>\$ 11,776</u>

Revenue				
Solid Waste	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Historical Commission
\$ 76,159	\$ 90,707	\$ 18,327	\$ 32,157	\$ 14,128
29,035	-	-	-	-
232	255	56	98	51
-	-	-	-	-
<u>\$ 105,426</u>	<u>\$ 90,962</u>	<u>\$ 18,383</u>	<u>\$ 32,255</u>	<u>\$ 14,179</u>
\$ 6,931	\$ 22,870	\$ -	\$ -	\$ 67
-	13,563	-	-	-
6,931	36,433	-0-	-0-	67
-	-	-	-	-
-	-	-	-	-
98,495	54,529	18,383	32,255	14,112
98,495	54,529	18,383	32,255	14,112
<u>\$ 105,426</u>	<u>\$ 90,962</u>	<u>\$ 18,383</u>	<u>\$ 32,255</u>	<u>\$ 14,179</u>

City of Pleasant Ridge
Nonmajor Governmental Funds
COMBINING BALANCE SHEET
June 30, 2008

	Debt Service		Capital
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Capital Improvements
ASSETS			
Cash and cash equivalents	\$ 178,220	\$ 14,661	\$ 3,339
Accounts receivable	-	-	-
Interest receivable	543	45	10
Due from other governmental units	-	-	-
TOTAL ASSETS	<u>\$ 178,763</u>	<u>\$ 14,706</u>	<u>\$ 3,349</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ -	\$ 3,394	\$ -
Accrued wages	-	-	-
TOTAL LIABILITIES	-0-	3,394	-0-
FUND BALANCES			
Reserved for:			
Debt service	178,763	11,312	-
Unreserved			
Designated for capital projects	-	-	3,349
Undesignated, reported in:			
Special Revenue Funds	-	-	-
TOTAL FUND BALANCES	<u>178,763</u>	<u>11,312</u>	<u>3,349</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 178,763</u>	<u>\$ 14,706</u>	<u>\$ 3,349</u>

Projects		Total Nonmajor Governmental Funds
Streetscape Project	Pool/ Fitness Center	
\$ 8,932	\$ 8,475	\$ 606,619
-	-	29,035
27	26	2,899
-	-	17,958
<u>\$ 8,959</u>	<u>\$ 8,501</u>	<u>\$ 656,511</u>
\$ -	\$ -	\$ 39,438
-	-	13,563
-0-	-0-	53,001
-	-	190,075
8,959	8,501	20,809
-	-	392,626
<u>8,959</u>	<u>8,501</u>	<u>603,510</u>
<u>\$ 8,959</u>	<u>\$ 8,501</u>	<u>\$ 656,511</u>

City of Pleasant Ridge

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Special		
	Major Streets	Tree Planting Beautification	Infrastructure Improvements
REVENUES			
Taxes	\$ -	\$ -	\$ 316,253
Intergovernmental	109,645	-	-
Charges for services	-	-	-
Interest and rents	7,508	-	460
Other	-	4,000	-
TOTAL REVENUES	117,153	4,000	316,713
EXPENDITURES			
Current			
Public works	88,701	-	-
Recreation and cultural	-	17,933	-
Debt service	-	-	-
Capital outlay	-	4,000	-
TOTAL EXPENDITURES	88,701	21,933	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	28,452	(17,933)	316,713
OTHER FINANCING SOURCES (USES)			
Note issuance	-	-	-
Transfers in	60,000	17,933	90,000
Transfers out	(54,823)	-	(558,833)
TOTAL OTHER FINANCING SOURCES (USES)	5,177	17,933	(468,833)
NET CHANGE IN FUND BALANCES	33,629	-0-	(152,120)
Fund balances, beginning of year	129,632	-	152,835
Prior period adjustments	(185)	-	11,061
Fund balances, end of year	\$ 163,076	\$ -0-	\$ 11,776

Revenue				
Solid Waste	Pool/Fitness Facility (Operating)	Drug Forfeiture	Library	Historical Commission
\$ 224,616	\$ 166,776	\$ -	\$ 41,949	\$ -
-	-	-	-	-
139,688	30,943	-	-	6,582
4,832	4,559	594	2,063	567
-	-	9,649	-	-
369,136	202,278	10,243	44,012	7,149
328,997	-	-	-	-
-	185,599	-	63,201	7,000
-	-	-	-	-
-	75,694	-	-	-
328,997	261,293	-0-	63,201	7,000
40,139	(59,015)	10,243	(19,189)	149
-	41,718	-	-	-
-	-	-	-	-
-	(6,664)	-	-	-
-0-	35,054	-0-	-0-	-0-
40,139	(23,961)	10,243	(19,189)	149
50,499	73,319	8,140	49,856	13,963
7,857	5,171	-	1,588	-
\$ 98,495	\$ 54,529	\$ 18,383	\$ 32,255	\$ 14,112

City of Pleasant Ridge

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

Year Ended June 30, 2008

	Debt Service		Capital
	Pool/Fitness Center Debt Service	Non-Voted Debt Service	Capital Improvements
REVENUES			
Taxes	\$ 131,062	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest and rents	8,521	314	130
Other	-	-	-
TOTAL REVENUES	139,583	314	130
EXPENDITURES			
Current			
Public works	-	-	-
Recreation and cultural	-	-	-
Debt service	149,869	33,916	-
Capital outlay	-	-	-
TOTAL EXPENDITURES	149,869	33,916	-0-
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(10,286)	(33,602)	130
OTHER FINANCING SOURCES (USES)			
Note issuance	-	-	-
Transfers in	-	27,049	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-0-	27,049	-0-
NET CHANGE IN FUND BALANCES	(10,286)	(6,553)	130
Fund balances, beginning of year	185,118	17,865	3,219
Prior period adjustments	3,931	-	-
Fund balances, end of year	<u>\$ 178,763</u>	<u>\$ 11,312</u>	<u>\$ 3,349</u>

Projects		Total Nonmajor Governmental Funds
Streetscape Project	Pool/ Fitness Center	
\$ -	\$ -	\$ 880,656
-	-	109,645
-	-	177,213
2,987	331	32,866
-	-	13,649
2,987	331	1,214,029
-	-	417,698
-	-	273,733
-	-	183,785
-	-	79,694
-0-	-0-	954,910
2,987	331	259,119
-	-	41,718
-	-	194,982
-	-	(620,320)
-0-	-0-	(383,620)
2,987	331	(124,501)
5,972	8,170	698,588
-	-	29,423
<u>\$ 8,959</u>	<u>\$ 8,501</u>	<u>\$ 603,510</u>

City of Pleasant Ridge

Component Unit Fund

BALANCE SHEET - DOWNTOWN DEVELOPMENT AUTHORITY

June 30, 2008

ASSETS	
Cash	\$ 72,201
Interest receivable	<u>257</u>
TOTAL ASSETS	<u>\$ 72,458</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts payable	\$ 1,286
FUND BALANCE	
Unreserved - undesignated	<u>71,172</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 72,458</u>

Note: Reconciliation of the balance sheet of this component unit's governmental fund to the statement of net assets for the component unit is not required as the fund balance of the component unit governmental fund was equal to the net assets of the component unit for the year ended June 30, 2008.

City of Pleasant Ridge

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
DOWNTOWN DEVELOPMENT AUTHORITY

Year Ended June 30, 2008

REVENUES	
Taxes	\$ 96,735
Interest	3,709
Other	<u>15,638</u>
TOTAL REVENUES	116,082
EXPENDITURES	
Current	
Community and economic development	<u>143,231</u>
NET CHANGE IN FUND BALANCE	(27,149)
Fund balance, beginning of year	96,328
Prior period adjustment	<u>1,993</u>
Fund balance, end of year	<u><u>\$ 71,172</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and changes in fund balance of this component unit's governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2008.

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF THE FINANCIAL STATEMENTS**

To the Honorable Mayor and
Members of the City Commission
City of Pleasant Ridge, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Pleasant Ridge, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 2, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Pleasant Ridge's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we considered to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

08-1 RESTATEMENT OF NET ASSETS/PRIOR PERIOD ADJUSTMENTS

During the course of our audit, it was noted that previously issued financial statements were materially misstated. Restatements of beginning net assets at the government-wide level and prior period adjustments to correct fund balances at the fund level have been recorded to reflect the correction of misstated cash, receivables, inventory, and payables. These misstatements were known by management prior to the issuance of the previously issued financial statements, however the internal controls were not operating effectively to prevent the issuance of the materially misstated financial statements in the prior year.

Since the previously issued financial statements contained material misstatements requiring restatements of beginning net assets and beginning fund balances, we recommend that the City review procedures related to the review and monitoring of financial reporting and take steps to ensure that a similar issue does not occur in the future.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily identify all deficiencies in internal control that might be considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance and other matters.

08-2 POLICIES AND PROCEDURES

Based on our discussion with management, we noted that the City has not formally adopted written procedures and policies for several areas of operation. Documenting specific policies and procedures allows employees to have a clearer understanding of management's expectations. It also allows management to have greater visibility over those areas for which they are responsible. Specifically, we recommend that the City develop, formally adopt, and implement written procedures and policies in the following areas:

- a. Fraud risk management program - We recommend the City adopt a formal fraud risk management program. The program should include policies and procedures on ways for management to prevent, detect and deter fraudulent activities.
- b. Capital asset policy - During our discussions with management, it was noted the City did not have a formal written capitalization threshold policy (capital assets policy) in place. Although there is no formal written policy, current practice related to capital assets is to capitalize and depreciate items with a historical cost of more than \$5,000. We recommend that the Commission adopt a policy for the acquisition and disposal of capital assets. The policy should specify the dollar threshold to be used for asset capitalization and that the disposal of capital assets requires formal approval by the City Commission. The policy should also indicate estimated useful lives for each major classification of capital assets. Adoption of the capital asset management policy should be documented in the minutes of the Commission meetings.
- c. Electronic transactions policy - During discussions with management, we noted that the City has not adopted a policy governing the use of electronic transactions and Automated Clearing House (ACH) arrangements. Public Act 738 of 2002 requires the governing body of local units of government to adopt a resolution authorizing transactions and the Treasurer of the local unit to present a written ACH policy to the governing body prior to becoming a party to an ACH arrangement. We recommend the City adopt an electronic transactions policy.

08-3 BUDGETS

As noted in the financial statements, some of the activities and funds of the City exceeded the amounts appropriated. The variances noted were in the General Fund and Local Streets Fund. Michigan Public Act 621 of 1978, as amended, provides that the City adopt formal budgets for all applicable General and Special Revenue Funds, and shall not incur expenditures in excess of the amounts appropriated. Also, the Public Act requires amendments to be performed prior to incurring additional expenditures.

We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

This report is intended solely for the information and use of management, the Honorable Mayor and Members of the City Commission, and others within the City of Pleasant Ridge, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

December 2, 2008